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DEPT FOR EEB/TPP/BTA AND EEB/CBA  
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SUBJECT: Malaysia's New Standards for Iron and Steel product Imports  
Create Problems for US Firms

Sensitive but Unclassified - Not for Internet Distribution

11. (SBU) Summary: Malaysia's new policy on iron and steel products is designed to reduce tariffs and liberalize the industry, but new standards and testing requirements are hampering industrial goods manufacturers who import specialized steel components. Several American manufacturing companies are experiencing delays or extra costs because of this. In response to complaints, the Ministry of International Trade and Industry (MITI) has introduced temporary measures to alleviate the immediate problems. End Summary.

12. (SBU) Comment: The new policy and reduced iron and steel tariffs may be a step towards full liberalization of the industry, but it is also designed to "enhance competitiveness" of Malaysia's domestic steel products manufacturers. The mandatory standards and required testing so far are mostly hurting companies in Malaysia using specialized steel components not produced locally. These firms are often in electronics and industrial goods sectors. US firms have complained that the mandatory testing is prohibitively expensive and time consuming for industrial components which often imported in very small quantities. Fortunately, Malaysia appears to be willing to revise the policy to assure that export industries will continue have access to the required components. End Comment.

13. (U) Effective August 1, 2009, Malaysia introduced a revised policy for the iron and steel industry in Malaysia. The new policy abolished most import restrictions and duties within the steel industry and was designed to allow steel product makers to competitively source their raw materials. The policy also introduced mandatory standards on imported iron and steel products, requiring testing of all imported products for standards compliance.

14. (SBU) Representatives of an American oil exploration and drilling products and services company told EconOff on August 21 that the company had experienced delays up to several weeks in importing key components for its products from Singapore due to the new standards and testing requirements. Because of the delays, the company had to substitute product shipments from their Malaysian facility with product from its other manufacturing facilities. After complaining to local investment authorities and raising the issue with MITI, the company was able to obtain a temporary exemption from testing, and their components were released from customs. According to industry representatives, companies in other segments, especially electronics and electrical products, have experienced similar delays due to the new standards.

15. (U) Ministry of International Trade and Industry (MITI) Deputy Secretary General Kamaruddin Ismail notified Post on August 25 via fax of GOM's decision to introduce several temporary measures to address the concerns/complaints they've received various groups of importers, including the following:

- a) Temporary exemption from the requirement for Certificate of Approval (COA) to facilitate the backlogs at Customs entry points, effective from August 13 until October 12, 2009.
- b) MITI and the SIRIM QAS Sdn Bhd (The company charged with the testing of iron and steel products for standards compliance.) are identifying the list of non-critical iron and steel products to simplify the compliance to the COA.
- c) SIRIM QAS will offset all the fees and charges incurred during August 1 to August 12, 2009.
- d) The issuance of COA will be decentralized at the designated SIRIM QAS branch offices nationwide.
- e) SIRIM QAS is undertaking outreach programs to the industries to disseminate information on the requirement of the mandatory standards for iron and steel products.

16. (U) Post will continue to follow-up on this case.

KEITH